



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

March 25, 2008

Control Number: SB/SE 25-0308-021  
Expires: March 25, 2009  
Impacted: IRM 25.1.8.9, IRM 5.4.13  
IRM 5.1.5

MEMORANDUM FOR DIRECTOR, ADVISORY, INSOLVENCY AND QUALITY  
DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Frederick W. Schindler /s/ Teresa Medlock  
Director, Collection Policy

Jeffrey J. Basalla /s/ Jeffrey J. Basalla  
Director, Filing and Payment Compliance

SUBJECT: Reissuance and Supplementation of Guidance Regarding  
Change in Procedures for Monitoring Open Cases under Criminal  
Investigation

The purpose of this memorandum is to reissue and supplement the interim guidance memorandum, dated September 24, 2007, with Control No. SB/SE 25-0907-041. This interim guidance memorandum incorporates guidance previously provided regarding procedural changes made for monitoring open field Collection cases under criminal investigation and provides additional direction for handling such cases.

Types of Criminal Investigation Cases to be Monitored by CCP

Centralized Case Processing (CCP) has undertaken responsibility for monitoring cases in status 26 in which a Transaction Code (TC) 914 appears on all of the modules and a decision has been made to suspend civil enforcement action due to the criminal investigation. The responsibility for inputting the TC 914 remains with Criminal Investigation (CI), and CI will continue to follow their procedures for sending Form 4135, Criminal Investigation Control Notice, to the appropriate campus. CI should not send Forms 4135 to CCP.

The following cases should **not** be transferred to CCP for monitoring:

- Cases in the queue (status 24)
- Currently Not Collectible (status 53)
- Cases in litigation (e.g., litigation, bankruptcy) (status 72)
- Cases where the Assessment Statute Expiration Date (ASED) or Collection Statute Expiration Date (CSED) will expire within eight months
- Cases in Offer In Compromise (OIC) (status 71)
- Cases in status 12

CCP will monitor balance due and delinquent return cases. A TC 914 should appear on all modules showing a delinquency. If a case is transferred to CCP and subsequent balance due modules open on the account and have no TC 914 controls, an Other Investigation (OI) will be issued by CCP to the revenue officer assigned, or previously assigned the account. The revenue officer will contact the CI special agent to advise him/her that the modules are not protected by the TC 914 controls. The special agent should request CI control on the new modules unless civil enforcement action is to take place. See IRM 5.1.5.1, Parallel Investigations.

#### Actions to be Taken Prior to Transferring Cases to CCP

Criminal Investigation will continue to notify the AIQ Advisory Territory Manager of each new case where a criminal investigation has been opened. If the case is under active collection investigation, i.e., cases in status 26, Advisory will forward the notification received from CI to the field Collection Territory Manager.

Field Collection will determine:

1. whether there is an imminent ASED or CSED, and
2. whether civil enforcement action should be suspended.

Cases where the ASED or CSED will expire within eight months will not be transferred to CCP without first obtaining managerial approval from CCP. See IRM 5.1.8.1.5.1 (4), which prohibits the transfer of an account in this situation unless managerial approval is obtained from the receiving office. If there is an imminent ASED or CSED, this must be addressed before the case is transferred to CCP. See IRM 5.7.3.7 and IRM 5.19.7.2.4 procedures for when a balance due account is received with less than six months remaining on the assessment statute; IRM 5.7.3.8 procedures for reporting the expiration of the TFRP statute; and IRM 5.1.19.8 procedures for imminent CSEDs.

Any actions to address an imminent statute, such as an attempt to secure a waiver from the taxpayer, must be coordinated with CI. See IRM 5.1.5.1, Parallel Investigations. The Integrated Collection System (ICS) history must reflect the actions taken regarding

any imminent ASEDs or CSEDs before the case is transferred to CCP. See IRM 5.1.19.8.3, Documenting Imminent CSEDs.

If a determination is made that civil enforcement should **not** be suspended, then existing procedures for conducting a parallel investigation must be followed. See IRM 5.1.5, Balancing Civil and Criminal Cases and Policy Statement 4-26 (IRM 1.2.13.1.11). Examples of civil actions that could occur in a parallel investigation are I.R.C § 6672 Trust Fund Recovery Penalty investigations, injunctions for pyramiding taxpayers, Notice of Federal Tax Lien filings, issuance of levies, jeopardy levies, service of summons, and pursuit of erroneous refunds. If Collection and CI cannot agree on how, and when, the civil and criminal actions should proceed; follow the procedures for resolving conflicts set forth in IRM 5.1.5.3 and Policy Statement 4-26 (IRM 1.2.13.1.11). Cases in which civil enforcement action is not suspended will not be transferred to CCP.

#### Transferring Cases to CCP

If a determination is made that civil enforcement should be suspended, the case will be transferred on ICS to CCP for monitoring, using procedures outlined in Exhibit A. The paper files of the cases that are to be monitored by CCP should be forwarded via Form 3210 to the following address:

Internal Revenue Service –DP N-803- Attn: 914 Monitoring  
11601 Roosevelt Blvd.  
Philadelphia, PA 19154

The case file and Form 3210 should be marked “914.” The case file will be maintained in CCP during the monitoring process. Prior to forwarding Balance Due modules to CCP, the revenue officer **must** create an OI to control the case to be transferred. See Attachment A for further instructions.

#### Other Investigations (OIs) Issued by CCP

Centralized Case Processing will issue OIs to the field for issues requiring field assistance or investigation, including the following:

- two-year collection risk analysis (e.g., collectibility determination, continued noncompliance, status of CI investigation);
- CSED protection;
- ASED protection for potential Trust Fund Recovery Penalty (TFRP) assessments;
- Lien refiling determinations; and
- New balance due modules that need TC 914 input or parallel investigation.

**Note:** Revenue officers should not close new balance modules with TC 530 cc 12 (unable to contact) or TC 530 cc 03 (unable to locate).

### Closing Cases

When the criminal investigation is completed, CI prepares a Form 13308, Criminal Investigation Closing Report (Tax and Tax related only), and forwards the form and other documents, as appropriate, to the Territory Managers, Technical Services (Exam) and Advisory (Collection). If the closing report relates to a case that has been referred to CCP for monitoring, Advisory will either (1) route a copy of the Form 13308 to CCP, or (2) make an ICS history entry noting that CI has closed the case and the method of closure. CCP will return cases to the assigned field group if further collection action is needed.

**Note:** Advisory is responsible for monitoring cases where there has been a criminal conviction and there are conditions of probation that must be monitored by the IRS. Depending upon the establishment of local procedures with CI, closing reports and other necessary documents may be forwarded directly to designated advisors who have assumed responsibility for coordinating civil actions on probation cases. See IRM 5.1.5.13 through IRM 5.1.5.21 for further information.

### Additional Guidance

A job aid for monitoring TC 914 cases in CCP has been developed, and these procedures will be incorporated in IRM 5.4.13. Procedures for field Collection will be incorporated in IRM 5.1.5, Balancing Civil and Criminal Cases, and IRM 25.1.8, the Fraud Handbook. The procedures for field Collection are attached as Exhibit A. **Please ensure that this information is distributed to all affected employees within your organization.**

If you have any questions concerning these changes in procedures, please contact me, or a member of your staff may contact Delores Dillmann, Collection Policy Program Analyst. Field employees should raise any concerns through the appropriate management chain. General questions relating to the monitoring of cases in CCP should be directed to Marcella Allen, CCP Technical Advisor, and questions relating to specific cases should be directed to the assigned tax examiner on the ICS.

### Attachment

cc: Director, Campus Compliance Services  
Chief, Criminal Investigation  
Director, Fraud/BSA  
[www.irs.gov](http://www.irs.gov)

## **Exhibit A**

### **Advisory Processing – CI Notification of TC 914 Cases (currently in IRM 5.1.5.12)**

- 1) Criminal Investigation (CI) will notify the Advisory Territory Manager of each new case by issuing a Notification Memorandum to the Advisory Territory Manager.
- 2) For cases under active collection investigation (status 26), including any related entities identified in the Notification Memorandum or cases in the Compliance Initiative Program (CIP), Advisory will forward the Notification Memorandum to the appropriate Field Collection Territory Manager. Receipt and transmittal of the Notification Memorandum will be documented in the ICS history.
- 3) For cases that are in the notice stream or queue status, no further action is required.

### **Collection Field Function Processing of TC 914 Cases - CI Notification and Accepted Fraud Referrals (to be incorporated in IRM 5.1.5 and 25.1.8)**

- 1) Upon receipt of a CI Notification Memorandum from Advisory on an active collection case, or when a Collection Fraud Referral is accepted by CI, a determination will be made as to whether there is a need to take civil action while the criminal case is active.
- 2) If a determination is made that some type of civil action should be taken while the criminal case is active and CI agrees with the proposed civil action, follow the procedures beginning at IRM 5.1.5.1 for parallel investigations.
- 3) If a determination is made that civil action should be suspended on all modules while the criminal case is active, use the following procedures to close out the case and transfer it to CCP:
  - a) Verify that all modules have a TC 914 input (for cases with delinquent return **only** periods, follow the procedure in IRM 5.1.11.6.2.1(3)). Note: If TC 914 is present in some tax periods, but not in others, Collection Field function employees should contact CI to determine whether or not collection should be suspended and additional TC 914's should be initiated by CI.
  - b) Once TC 914 is on all bal due modules, notify the group manager to remove the ICS sub code 910; if there is no sub code 910, ensure that the entity 971/281 is reversed via input of a 972/281 (or use ICS options: "F6" Collection Activities, "L" FTA Involvement, "Option B" Generate 972/281).
  - c) Create an incoming OI on the ICS case; this incoming OI will be included in the case transfer to CCP and will be used by CCP for monitoring and control procedures.

- i) From the ICS Summary Screen, select "F6" Collection Activities
- ii) "F" Create Modules
- iii) "D" Create OI
- iv) "A" Create Incoming OI (Within Group)
- v) Init Assignment should be originator along with Assignment #
- vi) In "Action Requested" field, select "Other"
- vii) In "Remarks" field, insert "181 CID Control"
- viii) "F2" to save

d) Transfer ICS case to CCP as follows:

- i) From the ICS Summary Screen, select "F6" Collection Activities
- ii) "H" Transfer
- iii) "A" Transferee Office Requests Transfer
- iv) At "Enter Receiving Assignment Number" insert **35766979**
- v) ICS will prompt you "Open CIP/OI/FTD Assigned to originator # (which is primary) Include these items in Transfer Action?" "Y/N?" select "Y"
- vi) When prompted, "do you want a Form 3210 to print for this transfer?" select **Yes**
- vii) Insert a note in the remarks section of the Form 3210: **TC 914 Monitoring**
- viii) The case will show approval pending until the Group Manager approves the transfer

e) Once approved, send your closed case file, marked "914" with the Form 3210 to the following address:

Internal Revenue Service – DP N-803 – Attn: TC 914 Monitoring  
 1601 Roosevelt Blvd.  
 Philadelphia, PA 19154

- f) Once CCP receives the transferred case, they will ensure the input of the STAUP 91 on all modules in status 26 which have a TC 914 showing on the module.
- g) CCP will monitor the case, including any CSED or TFRP ASSED statute issues, while the criminal investigation is pending and issue any necessary OIs to the field.

**Note:** If the above outlined procedures are not followed, the case transfer will be rejected back to the originator for corrective action.